

Message Text

CONFIDENTIAL

PAGE 01 STATE 085156
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 /013 R

DRAFTED BY EA/TIMBS:ECHESKY:RC
APPROVED BY EA/TIMBS:REFRITTS
DESIRED DISTRIBUTION
EA ONLY

-----088471 032131Z /64

O 032006Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA IMMEDIATE

C O N F I D E N T I A L STATE 085156

E.O. 11652: GDS

TAGS: AGR, ENRG, ID

SUBJECT: RESPONSE TO TREASURY PAPER ON INDONESIAN
FINANCIAL PROSPECTS AND IMPLICATIONS FOR USG POLICY
REF: BERGSTEN/HOLBROOKE MEMORANDA OF MAR. 20 FORWARDED
BY T/S DATED MAR. 23

1. EA/TIMBS AND OTHER OFFICES ARE WORKING ON AN URGENT
BASIS TO COMPLETE A REPLY THIS WEEK TO THE TREASURY
PAPER OF MARCH 20. OUR RESPONSE MAY BE A SIGNIFICANT
ELEMENT IN THE INTERAGENCY DISCUSSIONS OVER A PROPOSED
SUPPLEMENTAL APPROPRIATION FOR PL 480, TITLE I WHICH
WOULD FUND 100 THOUSAND TONS OF RICE IN FY 1978.
EMBASSY'S INPUT TO THE REPLY TO TREASURY IS URGENTLY
REQUESTED.

2. AS THE EMBASSY MAY NOT AS YET HAVE RECEIVED THE
FULL TREASURY PAPER POUCHED ON THE 23RD, WE ARE WIRING
HEREWITH THE COVERING MEMORANDUM WHICH PROVIDES THE
SUMMARY OF THEIR POSITION. QUOTE.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 085156

AS YOU ARE AWARE, TREASURY AND STATE AGREED LATE LAST
SUMMER TO DO A JOINT ASSESSMENT OF THE INDONESIAN
ECONOMY. THE PURPOSE WAS TO REACH A CONSENSUS ON THE

INDONESIAN FINANCIAL SITUATION AND PROSPECTS TO AVOID
INTERAGENCY DISAGREEMENTS THAT CHARACTERIZED U.S.G.

DECISIONS LAST YEAR ON PL 480 LEVELS AND FMS CREDIT TERMS. UNFORTUNATELY, THE JOINT EFFORT REMAINS INCOMPLETE. A RECENT REQUEST BY THE G.O.I. FOR LARGE AMOUNTS OF PL 480 AGAIN THIS YEAR AND THE EMBASSY'S RECOMMENDATION FOR A FURTHER SOFTENING OF FMS CREDIT TERMS REEMPHASIZES THE NEED FOR SUCH AN ASSESSMENT.

I AM TAKING THIS OPPORTUNITY TO PROVIDE YOU WITH A DRAFT OF TREASURY'S ASSESSMENT OF INDONESIA'S PETROLEUM, BALANCE OF PAYMENTS AND DEBT SITUATION AND PROSPECTS. THE THRUST OF THE ASSESSMENT IS THAT THE PROSPECTS FOR INDONESIA'S EXPORTS, IMPORTS, RESERVES AND DEBT SERVICE OBLIGATIONS ARE GOOD FOR THE PREDICTABLE FUTURE AND THEREFORE THERE IS NO NEED FOR THE UNITED STATES TO PROVIDE THAT COUNTRY WITH THE PRESENT OR INCREASING LEVELS OF BALANCE OF PAYMENTS SUPPORT.

AT THIS POINT I WOULD LIKE TO ELABORATE MY THOUGHTS ABOUT THE FUTURE OF U.S. ASSISTANCE TO INDONESIA. WHILE I AM OPPOSED TO LARGE AMOUNTS OF BALANCE OF PAYMENTS ASSISTANCE FOR INDONESIA AT THIS TIME, I DO RECOGNIZE THAT INDONESIA IS A POOR COUNTRY WITH LARGE NEEDS FOR ECONOMIC DEVELOPMENT AND THE FINANCIAL AND TECHNICAL ASSISTANCE TO ACHIEVE IT. FOR THIS REASON I FAVOR ASSISTANCE PROGRAMS THAT RESULT IN TANGIBLE DEVELOPMENT PAYOUTS. FOR EXAMPLE, I AM PREPARED TO SUPPORT A PL 480

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 085156

TITLE III PROGRAM THAT RESULTS IN NEEDED G.O.I. ECONOMIC POLICY REFORMS AND SOLID DEVELOPMENT PROJECTS. I AM ALSO SYMPATHETIC TO THE EMBASSY'S RECOMMENDATION TO DOUBLE BILATERAL PROJECT ASSISTANCE TO THE INDONESIAN AGRICULTURAL SECTOR OVER THE NEXT FIVE YEARS. IN THIS REGARD, YOU RECALL THAT TREASURY SUPPORTED INDONESIA'S RENEWED ELIGIBILITY FOR IDA.

I AM ALSO CIRCULATING THE ASSESSMENT TO OTHER AGENCIES IN AN ATTEMPT TO REACH A CONSENSUS ON THE INDONESIAN FINANCIAL SITUATION AS IT PERTAINS TO FUTURE U.S.G. ECONOMIC POLICY DECISIONS REGARDING APPROPRIATE LEVELS OF BALANCE OF PAYMENTS-TYPE ASSISTANCE. YOUR THOUGHTS AND COMMENTS ON THIS ASSESSMENT ARE, OF COURSE, WELCOME.

UNQUOTE.

3. TREASURY POSITION IS BASED ON A RATHER NARROW AND DATED REVIEW OF THE PROSPECTS FOR THE PETROLEUM SECTOR AND BALANCE OF PAYMENTS, RESERVES AND DEBT SERVICE

POSITION FOR THE NEXT TWO YEARS. OUR REPLY WILL BROADEN THE DISCUSSION TO INCLUDE AGRICULTURAL DEVELOPMENTS,

LARGER FOOD PROBLEMS AND NEEDS, AND THE POLITICAL IMPORTANCE OF ADEQUATE FOOD SUPPLIES TO INDONESIA, AND TO US. THE ECONOMIC DATA WILL BE UPDATED USING THE MORE MODEST PROSPECTS FOR THE FISCAL YEARS 78/79 AND 79/80 AS A RESULT OF THE PLATEA;ING OF PETROLEUM PRODUCTION. EMBASSY REPORTING CORRABORATED BY SOURCES HERE WILL PROVIDE THE MAIN BASIS.

4. ACTION. EMBASSY'S COMMENT AND RECOMMENDATIONS FOR OUR REPLY WILL BE WELCOME ON A PRIORITY BASIS AS WE INTEND TO COMPLETE PAPER BY THE END OF THIS WEEK. IN PARTICULAR WE WOULD APPRECIATE DOCUMENTATION OF THE G.O.'S COMMITMENT TO AGRICULTURAL DEVELOPMENT, FURTHER DATA (OR CORRESPONDENCE REFERENCES) FOR THE DIRECT AND CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 085156

INDIRECT IMPACT OF TITLE I ON AGRICULTURAL DEVELOPMENT, LATE PROJECTIONS OF DEBT SERVICE RATIO. ANY AMMUNITION WITH RESPECT TO THE MAJOR CONTENTION THAT PL 480 IS PRIMARILY AN UNNEEDED BALANCE OF PAYMENTS SUPPLEMENT WOULD BE HELPFUL. WOULD ALSO LIKE FURTHER JUSTIFICATION FOR INDONESIAN NEED FOR 100,000 TONS OF RICE IN FY 1978 IN VIEW OF RECENT FORECAST OF FAVORABLE RICE CROP THIS SPRING. CHRISTOPHER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PAPERS, RICE, PL 480 TITLE 1
Control Number: n/a
Copy: SINGLE
Draft Date: 03 apr 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE085156
Document Source: CORE
Document Unique ID: 00
Drafter: ECHESKY:RC
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780144-0043
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780498/aaaadfti.tel
Line Count: 144
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 85cd09b7-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3090749
Secure: OPEN
Status: NATIVE
Subject: RESPONSE TO TREASURY PAPER ON INDONESIAN FINANCIAL PROSPECTS AND IMPLICATIONS FOR USG POLICY
TAGS: EAGR, ENRG, ID, US
To: JAKARTA
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/85cd09b7-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014